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C O N F I D E N T I A L SECTION 01 OF 04 JEDDAH 000221

SIPDIS

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RIYADH, PLEASE PASS TO DHAHRAN; DEPARTMENT FOR NEA/ARPI;
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TAGS: BTIO ECON KICR KISL KWMN PREL SA SENV

SUBJECT: PREPARATIONS FOR TOURISM IN WESTERN SAUDI ARABIA

Classified By: Consul General Tatiana Gfoeller, for
reasons 1.4 (b) and (d).

¶1. (C) SUMMARY. On February 26, Consulate staff met with the new General Manager of the Supreme Commission for Tourism (SCT) in Jeddah. The General Manager offered an ambitious vision for developing tourism in Jeddah and attracting business, religious, and recreational visitors. The SCT plans significant development of infrastructure, training, and event management. A large recreational enclave is contemplated to serve visitors. Private Saudi investment is already being committed in addition to government budgetary support. The SCT is actively interested in obtaining advice and support from U.S. businesses and consultants. The General Manager expressed interest in pursuing World Heritage status for Saudi sites and supports environmental conservation. END SUMMARY.

¶2. (U) On February 26, Jeddah Pol/Econ Chief and Pol Assistant paid a call on Emad M. Mugharbel, the newly appointed Executive Manager of the Supreme Commission for Tourism (SCT), Jeddah Governorate, in the Commission's temporary offices on the grounds of the Jeddah Sheraton Hotel. Mugharbel offered his vision for the expansion of tourism in Jeddah, as well as enumerating obstacles to developing this sector and plans for overcoming them.

BIOGRAPHICAL NOTE: EMAD M. MUGHARBEL

¶3. (C) Emad M. Mugharbel is in his mid-forties. An aggressive modernizer, Mugharbel referred to himself as a radical reformer. He has held a number of increasingly important positions in business and as advisor to senior Saudi officials. He was hand-picked for his current position by Governor of Jeddah, Prince Mishal bin Majid bin Abdulaziz. His previous posts were:

May 2004-Feb. 2006 Chief Executive Officer
Jeddah Marketing Board,
Jeddah Chamber of Commerce and Industry
2002-May 2004 Deputy General Manager, Kingdom Holding,
TCCL, Kingdom Center
2000-2002 General Manager, GTC Olayan
1998-2000 General Marketing Manager, Arab Radio and
TV (ART) Cairo
1994-1998 General Manager, Marketing Management
Consultants, Charisma
1992-1994 Assistant General Manager, Savola Europe,
AVOLA GROUP

1988-1992 Proctor and Gamble, Saudi Arabia
Mugharbel was educated at the University of California,
Riverside and graduated from Arizona State University, Tempe.

THE SUPREME COMMISSION FOR TOURISM COMES TO JEDDAH

¶4. (U) The Supreme Commission for Tourism was established by Royal Decree Number 9 on April 16, 2000. The SCT was founded as an independent body to coordinate and develop all facets of tourism in Saudi Arabia. The Commission is headed by Prince Sultan Bin Salman Bin Abdulaziz and is funded by the national government. Surprisingly, Jeddah, the most cosmopolitan area in Saudi Arabia, is one of the last regions to open an SCT office. Until now, many of the duties assigned to the SCT were performed by the Jeddah Chamber of Commerce and Industry (JCCI) and its affiliate, the Jeddah Marketing Board (JMB), where Mugharbel was General Manager.

SCT PLANS FOR JEDDAH

¶5. (U) The role of SCT in Jeddah, in Mugharbel's view, is to coordinate and lead activities between the government and the private sector to promote travel and tourism in Jeddah. Mugharbel recognizes that tourism is a potentially important source of revenue for Jeddah and Saudi Arabia. He also acknowledges that tourism is a labor-intensive field which could offer work to a significant number of Saudis.

TARGET MARKETS: SAUDIS AND GCC, HAJJ AND UMRAH, AND NON-ARABS

¶6. (C) Mugharbel's primary target market is domestic travelers, among which he includes residents of the Gulf states, as well as Saudi Arabia. He noted that Saudi

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tourists spend billions annually when traveling abroad, especially in the summer. He hopes to divert some of this revenue to Jeddah. A second major market is travelers from other Muslim countries. As he succinctly observed: "with hajj and umrah there are millions coming here anyway." He wants to offer them other attractions while in Jeddah.

NON-MUSLIM MARKET

¶7. (C) Although clearly subordinate to the preceding two markets, Mugharbel is also interested in encouraging travel by non-Muslims and residents from non-Arab states, and he intends to tap portions of this market almost immediately. For this particular market segment, in addition to the business traveler, he intends to focus on limited, but high value interests such as diving and eco-tourism. These narrow markets have a number of attractive aspects: they are generally high profit-margin activities; they can be conducted in a relatively restricted area along the coast, where they won't impinge on the more conservative populations in the Kingdom, and they are in geographical proximity to other tourist areas, such as Sharm el-Sheikh, and have access to a major port-of-entry.

OBSTACLES

¶8. (C) Mugharbel candidly admitted that serious deficiencies in infrastructure and information are fundamental obstacles to capitalizing on Jeddah's potential. He complained that the tourism sector in Jeddah is roughly 15 years behind where it should be. The infrastructure in Jeddah is woefully behind major tourist facilities throughout much of the world: there are insufficient first-class hotels, few conference facilities, and public transportation is non-existent. The lack of trained personnel is another major problem. No education or training in serving tourists' needs is available in the Kingdom. Information on events and facilities is not accessible to travelers. Finally, visas for foreigners not on pilgrimage or sponsored business trips have been unobtainable.

DEVELOP JEDDAH "BRAND"

¶ 9. (C) Mugharbel is anxious to rectify these deficiencies. He is aggressively pursuing development plans, apparently with substantial support from the Governor. His first objective is to "brand" Jeddah in partnership with major businesses and identify and develop events which could be exploited. He confided that Prince Mishal is so enthusiastic, he would like to stage an event every week. Less ambitions, perhaps than the Governor, Mugharbel is planning to have at least 30 major events every year in Jeddah. He has taken the Jeddah Economic Forum (JEF) as a model and intends to develop other conferences which will attract global business interests. He offered the example of conferences on chemical engineering or petrochemicals attracting specialists from throughout the world. (Note: While attending the recent JEF, the Consul General overheard two prominent businessmen talking and one commented that Jeddah needed an event like JEF every month. End Note.).

RECREATIONAL TOURISM

¶ 10. (C) To complement business events, the SCT plans to promote recreational tourism. This would provide pilgrims and business travelers with additional attractions to patronize while in Jeddah and offer a destination for the purely recreational tourist group or individual. SCT is focusing on specific, narrow market segments. Eventually the Commission hopes to exploit the archeological and historical sites abounding in Western Arabia, but the initial target will be diving and eco-tourism. In an effort to promote diving, the Commission is engaged in making a film "Jeddah Underwater" to promote the submarine attractions of the region.

"TOURIST CITY" IN PLANS

¶ 11. (C) As a major attraction in the future, Mugharbel revealed that the Kingdom is planning to build a "tourist" city to complement the planned King Abdullah Economic City

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(KAEC) near Yanbu. This recreational complex, which is expected to encompass several square kilometers, is planned to be constructed along a stretch of pristine beach in the vicinity of the town of Leith, not far from the site of KAEC.

VISITOR VISA EXPECTED BEFORE SUMMER

¶ 12. (C) Historically, obtaining visas had been an insuperable barrier for prospective travelers to Saudi Arabia. However, Mugharbel noted that recent changes in government policy for business travel had obviated the need for a sponsor, and now business travel is possible without hindrance, and he expects the government to allow issuance of general visitor, or tourist, visas before this summer.

HOSPITALITY TRAINING SCHOOL SEEN FOR ARABIA AND AN EQUAL ROLE FOR WOMEN

¶ 13. (C) Mugharbel wishes to establish a training institute for tourism-related activities in Jeddah to prepare local people for jobs in the industry. He considers the participation of women in this field a non-issue. When the matter was broached by Pol/Econ Chief, he described a meeting with the Governor a few days earlier in which the latter had said "I don't care if it is a man or a woman, show me the product."

U.S. BUSINESS OPPORTUNITY

¶ 14. (C) Although U.S. tourism is likely to be a small and probably distant prospect, Mugharbel sees a major role for U.S. assistance. The immediate opportunity for U.S.

businesses would be to provide expertise and support. The tourist offices operated by many U.S. city and state governments are a model for what he wants the SCT to do in Jeddah. He expressed a willingness to work with FCS to find potential partners. When asked about his needs, he said "What I would really like is for you to send every event planner in the country." In a more practical vein, he suggested that FCS or other entities sponsor specialized delegations of 40-50 persons that have specific interest or expertise in event management, hospitality training, facilities operations, eco-tourism and maritime activities who would then meet with a similar number of Saudis.

POSSIBLE SUPPORT FOR WORLD HERITAGE SITE DESIGNATION

¶15. (C) Mugharbel was receptive to the idea of seeking World Heritage status for sites in Jeddah Governorate, especially the Red Sea. (Note: Natural habitats would be a less controversial choice for this designation, in contrast to the sensitive, cultural monuments, such as Mecca or pre-Islamic sites. End note).

PARTNER IN CONSERVATION

¶16. (C) Mugharbel spoke warmly about the need to conserve Saudi natural resources, particularly the Red Sea. He offered an example of what small expenditures could do to preserve this resource. He noted that local maritime traffic, fishing boats, etc. damage the delicate coral reefs tens of thousands of times each year, just by the act of anchoring. A modest investment in mooring buoys could alleviate much of this damage. COMMENT. Mugharbel obviously recognizes that Saudi Arabia's natural resources are a valuable tourist resource. His assistance could be sought to support conservation initiatives in tandem with the Presidency for Meteorology and the Environment (PME), The Regional Organization for the Conservation of the Environment of the Red Sea and Gulf of Aden (PERSGA), or similar organizations.

HEJAZ-NEJD DISTINCTION

¶17. (C) In the course of the conversation, Mugharbel like so many other Hejazis made a joke about the radically different way Nejdies and Hejazis look at the world, to the detriment of the "backward" Nejdies.

PRIVATE INVESTMENT IS ALREADY INVOLVED

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¶18. (C) Our conversation was briefly interrupted by a telephone call from Jack Barnett, a former colleague of Mugharbel's from the JMB. Barnett is being backed in the formation of a company, to be called Saudi Events Company, which will undertake to organize major business and recreational events in Jeddah. The company is being capitalized at \$25,000,000 by influential Saudis.

¶19. (C) COMMENT. Mugharbel appears committed to developing tourism in Jeddah and has the backing of influential Saudis. Tourist traffic would contribute to opening Saudi Arabia to outside influences and provide badly needed employment to young Saudis. SCT sponsored activities could also offer commercial opportunities to U.S. businesses. Realistically, security considerations and cultural restrictions make Saudi Arabia an unlikely destination for general U.S. tourism; however, a booming economy makes Jeddah an important stop for U.S. business people. American Muslims and sophisticated and adventurous travelers could conceivably also be attracted to the area. END COMMENT.

Gfoeller